RV BUSINESS

OCTOBER 17, 1988

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7 Sheldon Coleman Dies at 86

7 Dometic Keeps A&E Lines, Calif. Site

7 Fogdall Named Dealer of Year

8 IMHA Board Votes Plan to Up RV Reps

8 RVIA Approves Record Budget

9 PRVCA Show Rated 'Success'

9 Chevy, Van Group Meet

10 Klingler Forms Wood-Products Company

10 Ford, Nissan Join to Build '91 Minivan

11 Starcraft Sells Boat Division, Focuses on RVs

11 RVIA Board Creates New Supplier Group

Fleetwood Sets Program for Service School

Fleetwood Enterprises Inc., Riverside, Calif., is launching an ambitious slate of nine, five-day appliance service schools this fall and winter for Fleetwood dealers' technicians.

The seminars, agendas for which were developed by the firm's suppliers, will be held in nine U.S. cities and should draw close to 1,000 students this year alone, according to Erroll Cheney, Fleetwood director of parts and service for motorhomes and travel trailers.

Cheney—who has been working on the program for more than a year, including a pilot program conducted in March—said the company believes that the schools will benefit the entire industry by enhancing the professionalism and repair/troubleshooting capabilities of dealerships across the United States.

Cheney added that, if things go well this fall, Fleetwood may not view next year's curriculum as a proprietary program and may even consider dovetailing the program into training programs currently being developed by RV trade associations. *(See the related feature story about trends in service training on page 26 of this issue.)*

Fleetwood dealers were to receive updated schedules and registration cards in September for enrolling service personnel in the $125 seminars planned from mid-October through mid-February. The seminars are to be held in hotels in Omaha, Neb.; Hartford, Conn.; Atlanta, Ga.; Indianapolis, Ind.; Pasco, Wash.; Denver, Colo.; Dallas, Texas; and Sacramento and On-

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RV-UNIT PRICES ON THE RISE: In the news story below, a survey of RV makers reveals a wide range of price increases announced this summer and fall for 1989 model-year introductions. Rising supplier prices are cited as one factor causing inflated price tags.

RV Makers Boost '89 Prices

U.S. motorhome and travel-trailer manufacturers have been fighting to minimize price increases for the 1989 model year amid the mounting costs from aluminum, fiberglass, steel, rubber, copper and chassis suppliers.

While a surprisingly high number of companies have succeeded in levying only moderate increases by dipping into profit margins or re-equipping products with fewer standard features, many others have had no choice but to appreciably hike wholesale prices for the new model year.

A survey of RV manufacturers indicated that model-year price adjustments varied considerably. There were the occasional decreases: For example, Sun-Lite Inc., Bristol, Ind., actually lowered the price of its Sunbird foldouts by about 12%. But major manufacturers, such as Fleetwood Enterprises Inc. in Riverside, Calif., and Jayco Inc. in Middlebury, Ind., are planning price hikes of up to 8% and 9%, respectively.

Also, because new-model price hikes do not take into account midyear price increases levied in recent months by various companies, actual increases in some cases are in double digits. According to industry observers, further hikes are likely in many cases if there is no relief in escalating across-the-board raw material costs.

"We've had raw materials literally double in the last six months," reported John Burke, director of sales and marketing for the Camping Trailer Division of The Coleman Company Inc., Somerset, Pa., which described its price hikes as "under 10%." He added, "Our price adjustments were strictly due to raw material increases. And the sad thing is that it has not let up."

In contrast, Robert A. Gottschalk, executive vice president of the RV Group & Housing Group for Coachmen Industries Inc., Elkhart, Ind., said Coachmen is asking for increas-

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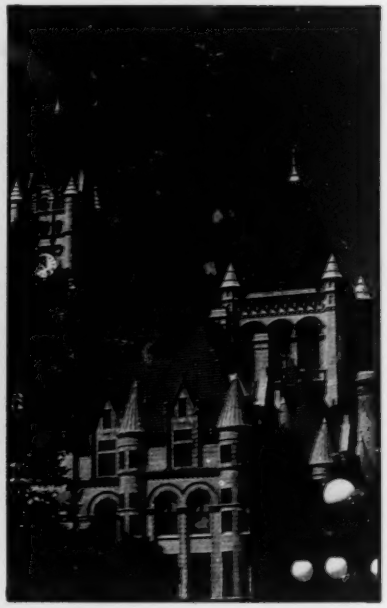

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RV manufacturers, suppliers and trade associations are joining in a new industry drive to improve service-technician professionalism.

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Attendees can use this overview of the Warehouse Distributors Association's 15th Annual Executive Conference to plan their participation.

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JULY DECLINE WASN'T BAD NEWS— JUST A NORMAL SEASONAL DIP

MORTON J. MARCUS

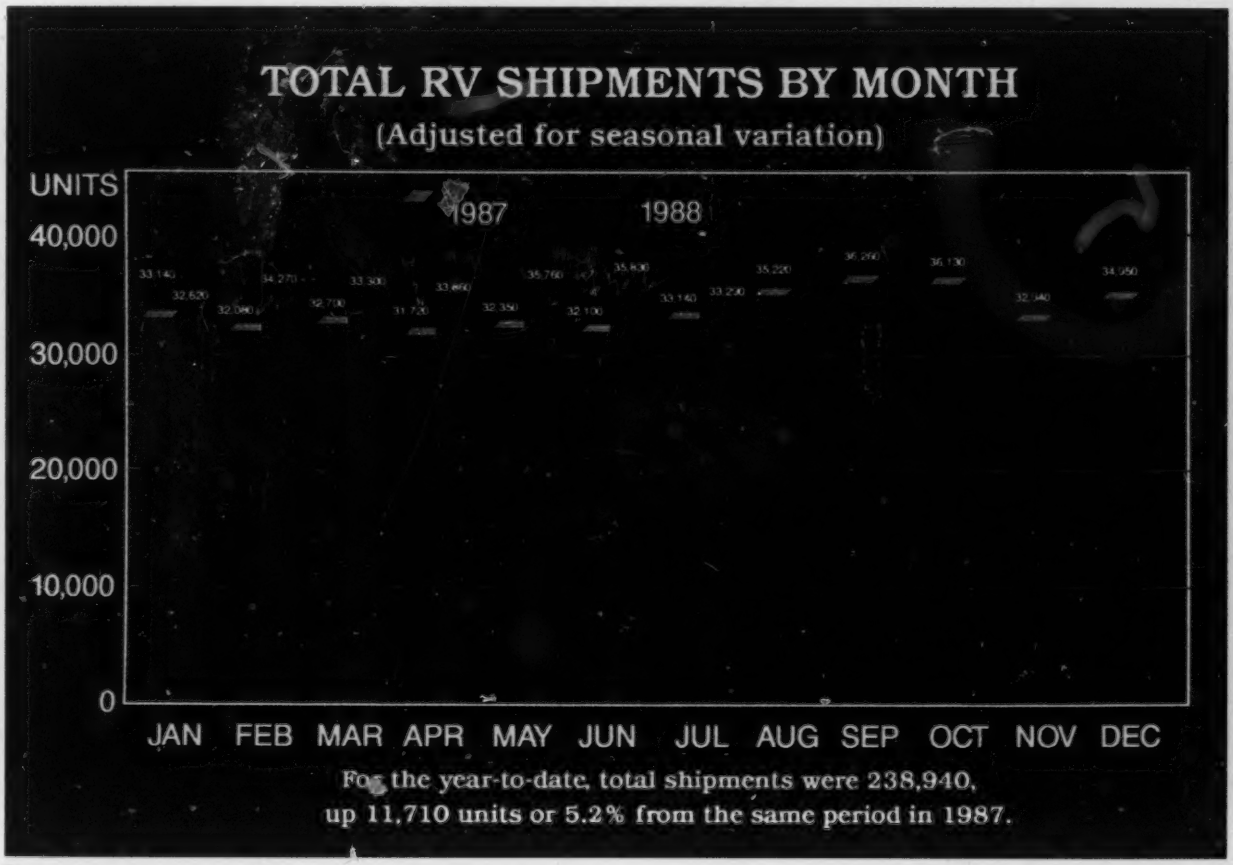


Figure 1

Things are not always what they may appear to be.

For example, in ordinary times, we would expect lower unemployment numbers to be hailed as good news, and good news should mean that the stock market goes up. But in the topsy-turvy world of our times, good economic news can be interpreted as a danger sign of overheating, which might lead to a tighter monetary policy and higher interest rates. In almost instant anticipation of those higher rates, whether or not they may occur, the market goes down.

Good news is usually bad news in today's market.

The RV industry is not as perverse as the stock market. But the seemingly bad news from RVIA about July shipments was not really bad news.

RVIA reported that July shipments were off by 14.4%, down from 38,200 to 32,700 units. That seems like a sharp decline—until we examine the normal seasonal pattern of RV shipments. In July, RV shipments are regularly down from June, and the extent of the decline this July was far less than the normal seasonal drop-off.

Hence, when adjusted for the variations usually associated with July, total shipments were still down, not by 14.4% but only by 7.1%. Actual shipments were off by 5,500 units, but the decline in shipments after adjustment was 2,500 units. Thus, more than half of the apparent decline was due to the usual July dip in shipments.

And, in a year-to-year comparison, shipments in July 1988 were higher than those of July 1987, if only by a scant 0.5%. That increase, however, made July the sixth consecutive month of increases over the same month a year earlier. For the year as a

GRAPHICS: CUSTOM COLOR VISUALS

whole, shipments were running 11,700 units, or 5.2%, ahead of 1987 by the end of July. *(See Figure 1.)*

Details of the July Decline

None of this interpretation takes away from the fact that shipments were down on a broad front in July.

Only two low-volume model types were up. There was a spectacular percent increase for Class C micro-minimotorhomes (more than 300%), but that was based on a rise of just 300 units, from 90 to 390. *(See Figure 3.)* An added 150 units for park-model travel trailers also yielded a positive reading in the month.

All other RV categories were down. Towables (the group including all travel trailers, folding camping trailers and truck campers) fell by 12.8%, or 1,700 units. Motorhomes dropped more than 800 units, for a decline of more than 12%. Only van conversions held close to June's level with a 400-unit (just 0.2%) decline.

The drop-off for motorhomes as a group pushed this type of RV into the red for the year-to-date, but Class A and Class C minimotorhomes were still ahead of the 1987 pace. Motorhomes were pulled down by the other two Class C types and Class B van campers, which were all down for the year compared with 1987.

In contrast, van conversions and towables remained ahead of the seven-month totals of 1987. Indeed, with 46% of the market *(see Figure 2)*, van conversions have accounted for 58% of the growth in total shipments thus far this year.

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1988	1987
Total RVs	100.0	100.0
Travel Trailers:		
Conventional	14.2	15.1
Park Models	1.9	1.7
Fifth-wheels	7.5	6.5
Folding Camping Trailers	10.2	10.3
Truck Campers	2.6	2.5
Motorhomes:		
Class A	9.9	9.9
Class B Van Campers	1.2	1.5
Class C:		
Minis	5.0	5.1
Low Profiles	0.5	0.6
Micro-minis	0.6	1.1
Multiuse Van Conversions	46.4	45.8

Detail may not add to total because of rounding.

Figure 2

Expectations for August

We can expect the unadjusted data for RV shipments in August to be down again. That would follow the historic pattern of seasonality for the industry.

For example, if conventional travel trailers follow their seasonal pattern, we should see an 18% decline in reported shipments in August. Van conversions are normally down by nearly 12% in August from July levels.

Yet some types of RVs should increase shipments in August. Two examples: Park models usually rise by more than 20% in August, and Class A motorhomes usually gain about 14%.

Thus, when the data arrive from RVIA, we should pause and remember the strong seasonality of this industry before making any judgments about the direction of the market. Otherwise, we stand to look about as foolish as the Wall Street speculators who bounce and jump with each shift in the numbers reported in the daily press. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

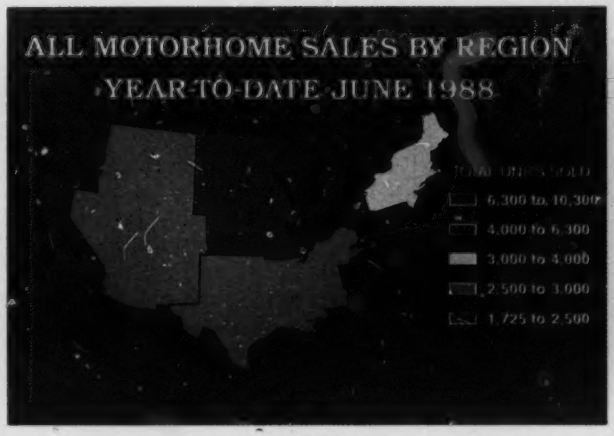
TYPE OF UNITS	JULY 1988	PERCENT CHANGE FROM JUNE	YEAR-TO-DATE 1988	1987	PERCENT CHANGE
Total RVs	33,290	-7.1	238,940	227,230	5.2
Travel Trailers:					
Conventional	4,570	-13.6	33,830	34,270	-1.3
Park Models	630	33.5	4,520	3,790	19.2
Fifth-wheels	2,260	-18.7	18,030	14,800	21.8
Folding Camping Trailers	3,270	-15.6	24,280	23,370	3.9
Truck Campers	930	-0.3	6,200	5,610	10.5
Motorhomes:					
Class A	3,440	-9.5	23,710	22,500	5.3
Class B Van Campers	440	-11.8	2,880	3,420	-15.9
Class C:					
-Minis	1,500	-27.6	11,970	11,670	2.6
-Low Profiles	120	-51.9	1,200	1,370	-12.2
-Micro-minis	390	333.5	1,500	2,450	-39.1
Multiuse Van Conversions	15,720	-0.2	110,820	103,970	6.6

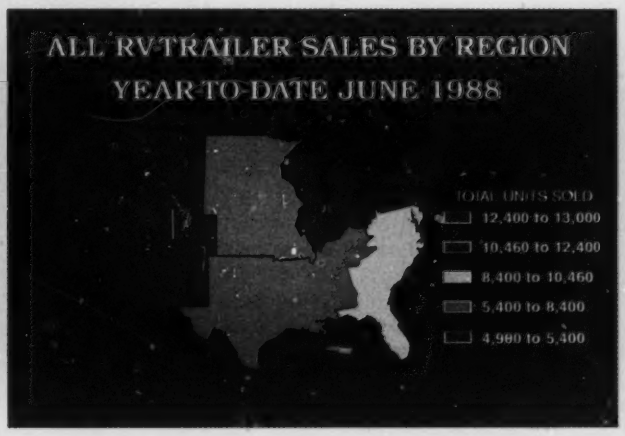
Note: Percentages are computed from unrounded data.

Figure 3

FIRST SIX MONTHS OF 1988 RECORD SOLID RV SALES

THOMAS WALWORTH





East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain:** Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast:** Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific:** Alaska, California, Oregon, Washington, Hawaii; **South Atlantic:** Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central:** Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

The first six months of 1988 have been good to the RV industry. The motorhome market was up 8.4% compared with the same period in 1987, and the trailer market was up 5.04% nationwide.

However, while motorhomes seem to be following their traditional sales path this year, trailers have shifted to new areas of strength, with the Northeast region developing into a major market.

It is of interest to note that different regions among the nation's seven major state groupings have dominated each month during the first half of this year. Figure 5 on the next page shows regional strength for motorhome and RV-trailer sales by indicating the highest ranked region each month as measured by its percent of change in sales compared with the previous month. This illustrates the seasonality of the RV industry and its regional effect.

According to June statistics on RV registrations, four regions recorded negative percent changes in motorhome sales compared with May. The trailer market was also down from May's tally in four regions. For the year-to-date, motorhome numbers showed two regions behind the same six-month period of last year, while RV trailers experienced only one region with a negative percent change compared with the first half of last year.

Overall, the motorhome market recorded a 0.5% drop for June compared with May, yet a year-to-date comparison revealed that the June market was 8.4% ahead of the first six months of 1987.

Figure 1 shows regions ranked by percent of change in June 1988 sales compared with May. Within the Mountain region, the state of Nevada had the largest percent of change on a month-to-month basis. The West North Central state of Kansas reported the largest decline in percent of change for that region.

The year-to-date rankings for the same seven regions of the country in terms of motorhome registrations are detailed in Figure 2. The state with the largest positive percent change in the Pacific region was Alaska. Florida had the largest negative percent change among the states of the South Atlantic region.

The trailer market had a 0.38% decline in unit sales in June 1988 compared with its May performance. For the year-to-date, the trailer market recorded a 5.04% increase compared with its position at the end of

MOTORHOME MARKET

June '88 Rank	Region	% of Change From May '88	May '88 Rank
1	Mountain	+29.1	4
2	Pacific	+ 8.2	3
3	E.N. Central	+ 3.0	2
4	Northeast	– 2.5	7
5	S. Central	–12.9	6
6	S. Atlantic	–16.1	1
7	W.N. Central	–16.2	5

Figure 1

MOTORHOME MARKET

June '88 Year-to-Date Rank	Region	% of Change Year-to-Date	May '88 Rank
1	Pacific	+17.3	1
2	Mountain	+16.7	2
3	E.N. Central	+ 7.5	5
4	Northeast	+ 7.4	4
5	W.N. Central	+ 3.9	3
6	S. Central	– .6	7
7	S. Atlantic	– 2.2	6

Figure 2

RV-TRAILER MARKET

June '88 Rank	Region	% of Change From May '88	May '88 Rank
1	W.N. Central	+14.3	2
2	S. Central	+ 9.4	3
3	S. Atlantic	+ .4	4
4	Northeast	– .6	5
5	Pacific	– 2.6	6
6	Mountain	– 5.0	1
7	E. N. Central	– 9.7	7

Figure 3

GRAPHICS: CUSTOM COLOR VISUALS

June 1987.

The regions are ranked by their percent change in sales from May in Figure 3. Within the West North Central region, the state of Nebraska experienced the largest positive percent change. In the East North Central states, Indiana experienced the largest decline.

This year-to-date rankings of the seven regions for RV-trailer sales are shown in Figure 4. In the Mountain region, Colorado reported the highest positive percent change compared with the first six months

RV-TRAILER MARKET

June '38 Year-to-Date Rank	Region	% of Change Year-to-Date	May '88 Rank
1	Mountain	+18.3	1
2	W.N. Central	+15.4	3
3	Northeast	+13.0	2
4	Pacific	+ 3.5	6
5	S. Central	+ 1.9	5
6	E.N. Central	+ 1.0	4
7	S. Atlantic	− 4.6	7

Figure 4

RV TRAILERS

Region	Jan	Feb	Mar	Apr	May	Jun
Mountain		•	•		•	
Northeast	•			•		
W.N. Central						•

MOTORHOMES

Region	Jan	Feb	Mar	Apr	May	Jun
Mountain						•
Pacific			•			
S. Atlantic		•			•	
S. Central	•					
W.N. Central				•		

Figure 5

of last year. Among the South Atlantic states, Florida had the largest negative percent of change in unit sales for the year-to-date.

In looking over these sales performances, it is important to remember that the RV industry has faced a great number of negative influences this year, including rising interest rates and poor weather. Yet, despite all the negative factors, both RV trailers and motorhomes experienced a good year in the first half of 1988. The June year-to-date numbers indicate a healthy market. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

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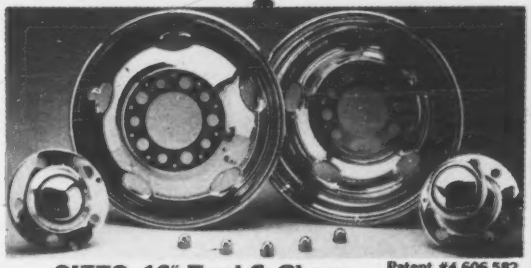

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AFTERMARKET SIZZLED IN THE SECOND QUARTER

MORTON J. MARCUS

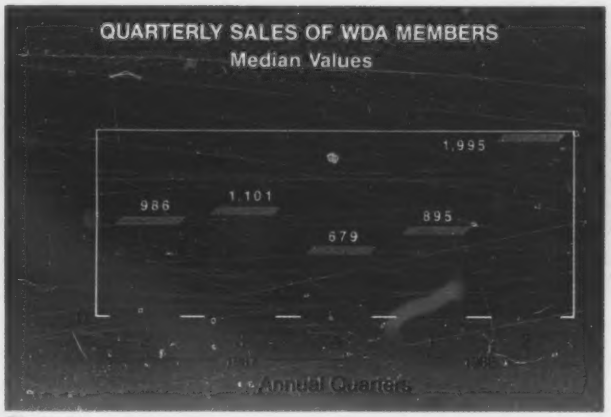

Figure 1

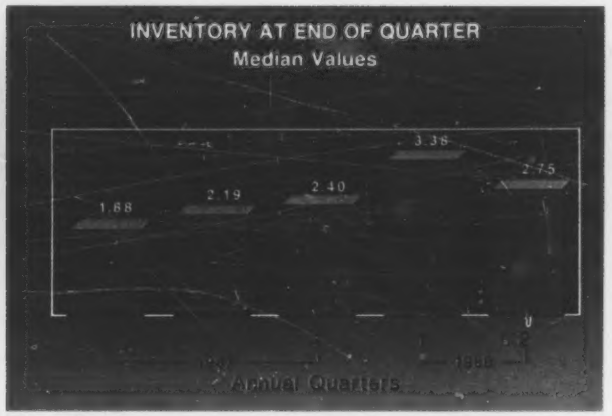

Figure 2

Figure 3

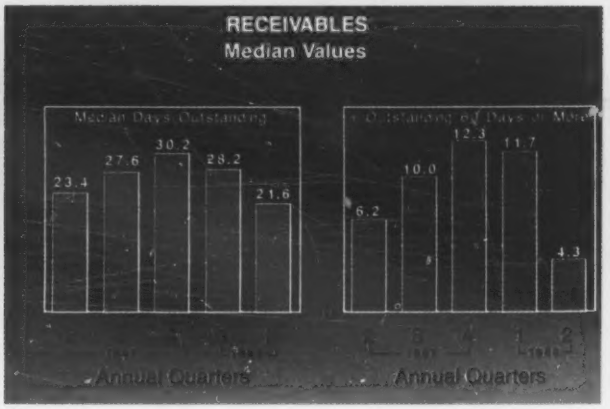

Figure 4

Members of the Warehouse Distributors Association (WDA) reported total sales of $70.8 million sales in the second quarter of 1988. This was an outstanding increase, despite the fact that there were two fewer firms reporting than in the first quarter of the year. And, compared with a year earlier, sales were still up by $15 million (nearly 27%), even though seven firms defected from the ranks of reporting companies.

The median firm in the industry had sales of nearly $2 million in the second quarter, up from under $1 million a year earlier. *(See Figure 1.)* The growth came primarily from firms with more than $2 million in annual sales, although some increase was found among firms in the small sales group.

The sales growth is seen most clearly when the 23 hard-core loyalists who reported in both the second quarters of 1987 and 1988 are considered (these firms are referred to as "continuing firms"). Total sales were up by 24.5% for the year, with the median value rising 28% from $1.6 million in the second quarter of 1987 to $2.1 million in the second quarter of 1988. Continuing U.S. firms were up 26% in total sales, while Canadian firms had only an 11% growth. (All Canadian data reported to WDA are translated by the latest exchange values for comparative purposes when included in the industry totals; when results are reported for Canadian firms alone, the values are in Canadian dollars and independent of the exchange rates.)

The WDA report is particularly valid because it differentiates between the firms that report each quarter and those with reporting practices that are less regular. Many other industry surveys that are widely publicized do not refer to the same group

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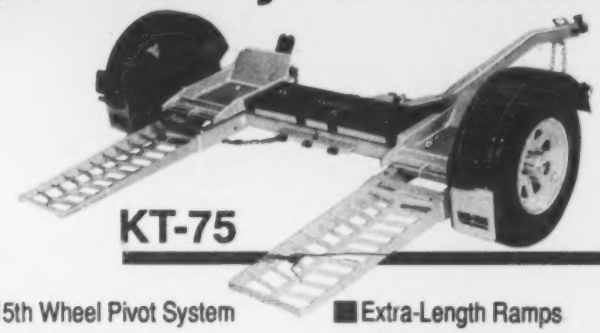
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of firms and thereby tend to mislead by compositional changes. To report on an industry without considering the composition of the participants in the study is similar to seeing the American League composite batting averages fall for the week without taking into account that Wade Boggs and Kirby Puckett were injured and did not play. It does not mean that the pitchers got better that week.

Total inventories for continuing firms in the second quarter stood 20% higher than a year earlier. The median continuing firm had $2.8 million in inventories at the end of the second quarter. The industry median for all reporting firms was $2.7 million, down 18% from the first quarter but 46% higher than the second quarter of a year earlier. *(See Figure 2.)* Continuing U.S. firms raised inventories by 16%, while continuing Canadian firms saw a 22% increase in inventories.

Because the rise in sales exceeded the rise in inventories, the ratio of those factors also rose. *(See Figure 3.)* The median firm had a sales-to-inventory ratio of 0.68 for the second quarter compared with a 0.41 ratio in the first quarter of 1988 and 0.52 in the second quarter of a year ago. The improvement in this ratio was observed in firms of all sizes.

With the dramatic jump in sales, it was natural to observe a fall in the average days for receivables and the percent of receivables 60 days and older in the quarter. *(See Figure 4.)* There just wasn't enough time for accounts to "ripen" in the open file. Accounts in the files of U.S. firms tend to have slightly longer receivable lives. The differences by size of firm were negligible in the second quarter of 1988, but larger firms did tend to have slightly higher percentages of receivables that were 60 days or older.

All WDA aftermarket data are obtained from the confidential reports returned voluntarily by members' firms for tabulation by the Indiana Business Research Center at Indiana University. Each participating WDA member receives a private report in which that firm's record over the past five quarters is compared with industry averages. The survey is intended as an additional management tool for participating firms in the industry and as a general indicator to others interested in performance of the RV aftermarket. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.